



COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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GAIL FARBER, Director

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

October 05, 2010

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

32 OCTOBER 5, 2010

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Supervisors:

CONTRACT EXTENSIONS/COST REDUCTIONS RECOMMENDATIONS FOR THE DEPARTMENT OF PUBLIC WORKS (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

SUBJECT

This action is to authorize the Director of Public Works or her designee to amend three contracts consistent with the County's Contract Reduction/Extension Initiative implemented by your Board on June 16, 2009.

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and delegate authority to the Director of Public Works or her designee to execute three contract amendments, approved as to form by County Counsel, and to extend terms and reduce the annual contract amounts under your Board's Contract Cost Reduction/Extension Initiative effective for Fiscal Year 2009-10.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On June 16, 2009, your Board directed the Chief Executive Officer (CEO), working with Internal Services Department, County Counsel, Auditor-Controller, and other departments, as needed, to develop the parameters for a contract cost savings initiative by requesting that contractors reduce contract costs effective in Fiscal Year 2009-10 in return for contract extensions. Your Board also authorized any contract extensions authorized under this initiative be executed without competitive

bidding and directed the CEO to include any resulting reductions in supplemental changes for the Fiscal Year 2009-10 County budget.

On June 25, 2009, the CEO, acting on your Board's direction, provided instructions for implementation of this cost savings initiative requesting that contractors reduce contract costs effective in Fiscal Year 2009-10 in return for contract extensions. The Department of Public Works (Public Works) subsequently canvassed our contracts and solicited offers from contractors that met the appropriate criteria, requesting price reductions in exchange for one-year and/or two-year extensions.

Public Works has reviewed and is recommending for your Board's approval, three additional cost reduction offers of 5 percent in exchange for extension years from various contractors. Each of these companies has provided acceptable services to the County and agreed to the annual contract reductions without a change in the level of services required under their individual contracts. Furthermore, in an effort to apply the initiative equitably, and per the CEO's recommendation of February 1, 2010, the contractors were required and agreed to apply the contract cost reduction retroactively effective October 1, 2009. One contract commenced on December 15, 2009; therefore, for this contract, the cost reduction will be retroactive to December 15, 2009. The remaining two contracts' cost reductions will be retroactive to October 1, 2009. Arrangements will be made with each contractor regarding repayment or crediting of the amount due from the retroactive cost reduction.

As a reference, the enclosure identifies the subject contracts and contractors, and includes the proposed cost reductions/extensions and the related fiscal impact.

Upon your Board's authorization, the Director of Public Works or her designee will execute the contract amendments to effect the changes described herein.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs the provision of Operational Effectiveness (Goal 1) and Community and Municipal Services (Goal 3). The contractors who have the specialized expertise to provide these services accurately, efficiently, timely, and in a responsive and cost-effective manner will support Public Works in meeting these goals.

FISCAL IMPACT/FINANCING

There will be no impact to the County General Fund.

The three proposed contract amendments, if approved, would result in an estimated potential total savings of \$308,255 to the Internal Service Fund Budget, which will be reimbursed to the Flood Fund and Waterworks District Fund Budgets in Fiscal Year 2009-10, Fiscal Year 2010-11, and any future years, if all option years are exercised.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

This effort pertains to current contracts, which were planned to be competitively rebid upon

expiration. The contractors for two contracts have agreed to have their contracts amended and have the cost reductions become effective October 1, 2009. The contractor for one contract agreed to an effective date of December 15, 2009, which is the date its contract commenced.

The Landscape Maintenance Services Dominguez Gap Spreading Grounds contract is subject to the Living Wage Ordinance (LWO). The contractor, United Pacific Services, Inc., located in La Habra, California, has agreed to pay its full-time employees the current Living Wage Rate approved by your Board on February 6, 2007, and confirmed that it will comply with the County's Living Wage reporting requirements. The County's Proposition A and LWO provisions apply to this contract, as County employees can perform the contracted services. The contract complies with all of the requirements of the Los Angeles County Code, Section 2.201. The contractor will continue to pay its full time employees the required minimum rates of \$11.84 per hour without health benefits, or \$9.64 per hour with health benefits of \$2.20 per hour, as specified in the LWO adopted by your Board on March 15, 2007, and confirms that it complies with the County's Living Wage reporting requirements.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

This effort is intended to produce immediate and retroactive cost savings in light of the fiscal challenges faced by the County. The proposed contract amendments should not have a negative impact on the level or quality of service provided to the County by the affected contractors.

CONCLUSION

Please return one adopted copy of this letter to the Department of Public Works, Administrative Services Division.

Respectfully submitted,



GAIL FARBER
Director

GF:GZ:cg

Enclosures

c: Chief Executive Office (Martin Zimmerman)
County Counsel
Executive Office
Office of Affirmative Action Compliance (w/o
enc.)

CONTRACTOR EXTENSION/COST REDUCTION

No.	Contract No.	Contract Name	Contractor Name	Contract Start Date	Final Option Yr. Exp. Date with Cost Reduction Extension	Original Annual Contract Amount	1-Year Extension Reduction	2-Year Extension Reduction	*Cost Savings Retroactive to 10/01/2009	First-Year Extension Cost Savings	Second-Year Extension Cost Savings	Future Option Year 1 Cost Savings	Future Option Year 2, 3 & 4 Cost Savings	Potential Maximum Savings	**Justification Code
1	77207**	Landscape Maintenance Services - Dominguez Gap Spreading Grounds	United Pacific Services, Inc	12/15/2009	12/14/2014	\$254,624		5.00%	\$12,731	\$12,731	\$12,731	\$12,731	\$38,193	\$89,118	1, 2, 6, 7, 8
2	001843	Injection Well Redevelopment Services	Layne Christensen Company	06/13/2008	06/12/2013	\$1,115,500		5.00%	65,252.00	55,775.00	55,775.00	N/A	N/A	176,802.00	1, 2, 6, 7
3	001740	Public Relations Activities for the Water Conservation and Water-Use Efficiency Program	O'Rorke, Inc.	05/01/2007	04/30/2014	\$205,825		5.00%	11,461.82	10,291.25	10,291.25	10,291.25	N/A	\$42,336	1, 2, 6
4															
5															
6															
7															
									\$89,445	\$78,797	\$78,797	\$23,022	\$38,193		

Total Potential Savings = \$308,255

* The cost saving amount includes retroactive savings from October 1, 2009, for all contracts except for Contract No. 0077207, which includes cost savings retroactive from December 15, 2009; also includes the contract saving amount in contract year spanning 2009-2010 or 2010-2011, which can be prorated for the first year of cost reduction; calculations reflect actual, potential, or partial savings since not all invoices have been submitted by the contractors yet. These contracts do not have any Net County Cost savings.

**This Contract has four additional future options left
***See Attachment for the list of justifications.

Justification

The Enclosure contains one or more justifications from the list below for each contract that supports the recommendation by the Department of Public Works concluding that the contract amendment (extension/cost reduction) is economically advantageous to the County as compared to the potential results of conducting a new solicitation.

1. Extending the contract will lock in a lower price immediately and provide instant savings that can be utilized to provide services.
2. Extending the contract provides additional savings beyond the immediate cost reduction. There is value added by locking in old rates for future years. The Net Present Value of future savings is considered an added value because the contract has one or more years left in the contract, and the extension will provide cost savings for several years, in addition to the extension year(s). The cumulative cost savings is significant.
3. When comparing the current contract rate/cost to the rate/cost from the previous contract, the rate/cost is higher than the previous contract providing evidence that the cost of this service has increased over time and is expected to continue to increase.
4. During the last couple of solicitations for this service, Public Works experienced little interest from proposers and received few or no proposals. The work is highly specialized and very few, if any, proposers showed interest.
5. The contract costs consist mainly of wages, equipment, and fuel. None of these costs is likely to decrease during the life of any new contracts, and it is expected that over the span of a contract there will be significant increases in these costs that will be reflected in any new proposals. Accordingly, we expect the contract cost to increase when we rebid.
6. Public Works will realize cost savings and increased efficiencies, without interrupting critical services, by eliminating the cost of conducting resolicitations. These cost savings include the cost of advertising, reproducing and distributing Request for Proposals documents, County Counsel billing, postage, as well as freeing staff time that can be used on additional projects for classifications ranging from clerical to Deputy Director.
7. The contract is a prevailing wage contract with labor rates mandated by State or Federal agencies. Our experience has been that the mandated prevailing wages have increased over time and that it is highly likely that the new solicitation will result in a higher cost to the Public Works than existing contracts.

8. The contract is a Living Wage contract. The Living Wage mandates a minimum wage rate for contract labor. The Living Wage will not decrease; therefore, the labor cost of such a contract will not be lowered through a resolicitation since the contractor is obligated to continue to pay the Living Wage.
9. The contract is funded whole or in part through the Fiscal Year 2009-10 Road Fund and any savings realized is critical and imperative so that services can be continued to be provided. Due to the impact of the final State Budget's deferral of revenue, the Road Fund is facing multiple negative budgetary cash flow impacts. Therefore, any savings through the recommended contract amendment (extension/cost reduction) to a contract paid by the Road Fund is economically advantageous to the County as compared to the potential results of conducting a new solicitation without the cost reduction offered by the contractor.
10. The contract is funded through a Public Works fund that will experience some negative cash flow impact during Fiscal Year 2009-10 due to the impact of the final State Budget's shifting of property tax revenue. Therefore, any savings through the recommended contract amendment (extension/cost reduction) to a contract paid by any one of these impacted funds is critical and imperative so that services can be continued to be provided.